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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
10/620,444	07/17/2003	Nitzan Melamed	80044 - 347016	2099
35657 7590 03/08/2007 FAEGRE & BENSON LLP PATENT DOCKETING 2200 WELLS FARGO CENTER 90 SOUTH SEVENTH STREET MINNEAPOLIS, MN 55402-3901			EXAMINER KARMIS, STEFANOS	
			ART UNIT 3691	PAPER NUMBER
SHORTENED STATUTORY PERIOD OF RESPONSE		MAIL DATE	DELIVERY MODE	
3 MONTHS		03/08/2007	PAPER	

Please find below and/or attached an Office communication concerning this application or proceeding.

If NO period for reply is specified above, the maximum statutory period will apply and will expire 6 MONTHS from the mailing date of this communication.

Office Action Summary	Application No. 10/620,444	Applicant(s) MELAMED, NITZAN	
	Examiner Stefano Karmis	Art Unit 3691	

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

- 1) ☒ Responsive to communication(s) filed on 16 May 2006.
- 2a) ☐ This action is FINAL. 2b) ☒ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

- 4) ☒ Claim(s) 1-40 is/are pending in the application.
- 4a) Of the above claim(s) _____ is/are withdrawn from consideration.
- 5) ☐ Claim(s) _____ is/are allowed.
- 6) ☒ Claim(s) 1-40 is/are rejected.
- 7) ☐ Claim(s) _____ is/are objected to.
- 8) ☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☐ The drawing(s) filed on _____ is/are: a) ☐ accepted or b) ☐ objected to by the Examiner.
Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).
Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
- 11) ☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

Priority under 35 U.S.C. § 119

- 12) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All b) ☐ Some * c) ☐ None of:
1. ☐ Certified copies of the priority documents have been received.
 2. ☐ Certified copies of the priority documents have been received in Application No. _____.
 3. ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

* See the attached detailed Office action for a list of the certified copies not received.

Attachment(s)

- | | |
|--|---|
| 1) <input checked="" type="checkbox"/> Notice of References Cited (PTO-892) | 4) <input type="checkbox"/> Interview Summary (PTO-413) |
| 2) <input type="checkbox"/> Notice of Draftsperson's Patent Drawing Review (PTO-948) | Paper No(s)/Mail Date. _____ |
| 3) <input checked="" type="checkbox"/> Information Disclosure Statement(s) (PTO/SB/08) | 5) <input type="checkbox"/> Notice of Informal Patent Application |
| Paper No(s)/Mail Date <u>7/17/03 & 8/27/04</u> . | 6) <input type="checkbox"/> Other: _____ |

DETAILED ACTION

1. The following communication is in response to Applicants preliminary amendment filed 16 May 2006.

Status of Claims

2. Claims 1, 2, 10, 11, 18, 19, 26, 27 and 34 are currently amended. Claims 1-40 are currently pending.

Claim Rejections - 35 USC § 101

3. 35 U.S.C. 101 reads as follows:

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

4. Claims 1-9 and 26-40 are rejected under 35 U.S.C. 101 because the claimed invention is directed to non-statutory subject matter.

With respect to claim 1-9 and 34-40, the Examiner finds the claim to lack a tangible result. In order to be a tangible result, the process must produce a real-world result. The final step of independent claim 1 states, "rebalancing said index by reallocating index components when the risk associates with said index deviates from said constant target level of risk, thereby at least substantially maintaining a specified level of risk." This step is not considered tangible because it could be considered to be merely an algorithm and therefore abstract or merely encompassed in thoughts.

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Regarding claims 26-33, the Examiner finds these claims are not statutory.

Claims 26-33 are directed towards software, per se, lacking storage on a medium, which enables any underlying functionality to occur. It is not clear whether instructions are in executable form and therefore there is no practical application.

Claim Rejections - 35 USC § 103

5. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

6. The factual inquiries set forth in *Graham v. John Deere Co.*, 383 U.S. 1, 148 USPQ 459 (1966), that are applied for establishing a background for determining obviousness under 35 U.S.C. 103(a) are summarized as follows:

1. Determining the scope and contents of the prior art.
2. Ascertaining the differences between the prior art and the claims at issue.
3. Resolving the level of ordinary skill in the pertinent art.
4. Considering objective evidence present in the application indicating obviousness or nonobviousness.

7. Claims 1, 2, 4-7, 10-15, 18-23, 26-31 and 34-38 are rejected under 35 U.S.C. 103(a) as being unpatentable over Maggioncalda et al. (hereinafter Maggioncalda) U.S. Patent 7,062,458 in view of Peters et al. (hereinafter Peters) U.S. Publication 2003/0208427.

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Regarding claim 1, Maggioncalda teaches a computer-implemented or assisted method for implementing a constant volatility index, the index having an associated risk, said computer-implemented or assisted method comprising the steps of:

Establishing a constant target level of risk at which to maintain said portfolio (column 14, lines 1-14 and column 32, lines 38-67 and Figure 10B; Examiner notes that the user sets a risk tolerance for the portfolio, which consists indexes, to maintain);

Monitoring said level or risk associated with said portfolio (column 28, lines 28-60 and column 29, lines 38-63); and

Notifying the user to rebalance portfolio when the risk deviates from the constant target level of risk in order to maintain a specified level of risk (column 28, lines 28-60; Examiner notes that the system notifies the user that he/she should rebalance the portfolio). Maggioncalda teaches that system advisor provides a recommendation such as "rebalance" and is given the opportunity to adjust risk decision and select to "implement" the recommendation (Figure 14; See "rebalance" and "implement"). Maggioncalda fails to specifically teach the rebalancing steps the user selects a desire to rebalance the portfolio. Peters teaches an automated investment advisory software that provides investment advice over a distributed network (page 4, paragraph 0055). Peters teaches that a user risk profile is compared to an investment risk classification of a portfolio (page 5, paragraphs 0061-0062). The system can suggest changes to the user's portfolio to better correlate the risk comparison and the users can execute the changes to achieve the portfolio that corresponds with the recommendation by placing portfolio orders directly through the system (page 5, paragraph 0062). It would have been obvious to one of ordinary skill in the art at the time of the Applicant's invention to modify the teachings

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of Maggioncalda to include the execution of the new portfolio as taught by Peters because it provides the implementation of the recommended portfolio rebalance when a target level of risk is not maintained.

Claim 2, Maggioncalda further teaches implementing a risk band to delimit a constant lower level of risk below said target level of risk and constant upper level of risk above said target level of risk of the portfolio, and wherein said step of recommending rebalancing comprising recommending rebalancing the portfolio when rises above the upper level or risk or drops below the lower level or risk, thereby substantially maintaining the risk associated with the portfolio (column 32, lines 53 thru column 33, line 15 and Figure 10B; Examiner notes that a risk slider, which sets the upper and lower bonds for risk in the portfolio. Maggioncalda fails to teach the actual execution of rebalancing the portfolio, however Peters teaches such execution when a risk profile is no longer being satisfied as discussed above for claim 1.

Claim 4, Maggioncalda teaches that the level of risk is measured using at least one of standard deviation, variance, average shortfall, VAR, or any other similar analogous measures (column 33, lines 25-40).

Claims 5 and 6, Maggioncalda teaches recommending rebalancing comprises reallocating assets from relatively high risk components of said index to relatively low risk components if the risk associated with the portfolio exceeds a predetermined level or reallocating assets from low risk components to relatively high risk components if the

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risk associated with the portfolio drops below a level of risk by a predetermined level (column 33, line 53-63 and column 38, lines 40 thru column 39, line 15 and Figure 17A and Figure 17B).

Claim 7, Maggioncalda teaches that the portfolio comprise at least one security and cash (column 10, lines 41-67). Peters also teaches that investments are diversified, ranging from stocks to cash (page 7, paragraph 0083).

Claims 10, 18, 26 and 34 are substantially similar to claim 1 and are therefore rejected under the reasoning for claim 1 above.

Claims 11, 19 and 27 are substantially similar to claim 2 and are therefore rejected under the reasoning for claim 2 above.

Claim 12, 20, 28 and 35 are substantially similar to claim 4 and are therefore rejected under the same reasoning for claim 4 above.

Claims 13, 21, 29 and 36 are substantially similar to claim 5 and are therefore rejected under the same reasoning for claim 5 above.

Claims 14, 22, 30 and 37 are substantially similar to claim 6 and are therefore rejected under the same reasoning for claim 6 above.

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Claims 15, 23, 31 and 38 are substantially similar to claim 7 and are therefore rejected under the same reasoning for claim 7 above.

8. Claim 3 is rejected under 35 U.S.C. 103(a) as being unpatentable over Maggioncalda et al. (hereinafter Maggioncalda) U.S. Patent 7,062,458 in view of Peters et al. (hereinafter Peters) U.S. Publication 2003/0208427 in further view of Lange, U.S. Patent 6,321,212.

Claim 3, Maggioncalda in view of Peters teaches measuring levels of risk in order to optimize a portfolio. Maggioncalda in view of Peters fails to teach measuring the level of risk using RiskMetric Group's RiskGrade measure. Lange teaches risk calculations that pull information from a RiskMetric database (column 74, lines 31-46 and column 76, lines 43-48). It would have been obvious to one of ordinary skill in the art at the time of the Applicant's invention to modify the teachings of Maggioncalda in view of Peters to include measuring risk using RiskMetric database as taught by Lange because it provides for risk calculations of portfolios and would allow Maggioncalda in view of Peters to use the measurement for determining when to suggest rebalancing a portfolio to be more aligned with a user's desired risk preference.

9. Claims 8, 9, 16, 17, 24, 25, 32, 33, 39 and 40 are rejected under 35 U.S.C. 103(a) as being unpatentable over Maggioncalda et al. (hereinafter Maggioncalda) U.S. Patent

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7,062,458 in view of Peters et al. (hereinafter Peters) U.S. Publication 2003/0208427 in further view of Wallman, U.S. Patent 6,601,044.

Claims 8 and 9, Maggioncalda teaches that the portfolio comprises at least one security and cash (column 10, lines 41-67). Peters also teaches that investments are diversified, ranging from stocks to cash (page 7, paragraph 0083). Maggioncalda in view of Peters fails to teach shifting cash and securities to increase or decrease risk. Wallman teaches maintaining a users desired risk by shifting securities with cash (column 27, lines 38-62). Therefore it would have been obvious to one of ordinary skill in the art at the time of the Applicant's invention to modify the teachings of Maggioncalda in view of Peters to include the risk teachings of Wallman because it provides for increasing/decreasing portfolio risk when optimizing a portfolio to be aligned with a user's preferences.

Claims 16, 24, 32 and 39 are substantially similar to claim 8 and are therefore rejected under the same reasoning for claim 8 above.

Claims 17, 25, 33 and 40 are substantially similar to claim 9 and are therefore rejected under the same reasoning for claim 9 above.

Conclusion

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10. Any inquiry concerning this communication or earlier communications from the examiner should be directed to Stefano Karmis whose telephone number is (571) 272-6744. The examiner can normally be reached on M-F: 8-5.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Alex Kalinowski can be reached on (571) 272-6771. The fax phone number for the organization where this application or proceeding is assigned is 571-273-8300.

Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see <http://pair-direct.uspto.gov>. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free). If you would like assistance from a USPTO Customer Service Representative or access to the automated information system, call 800-786-9199 (IN USA OR CANADA) or 571-272-1000.

Respectfully Submitted
Stefanos Karmis
26 February 2007

A handwritten signature in black ink, appearing to read 'Stefanos Karmis', is written over the typed name. The signature is fluid and cursive, with a long horizontal stroke extending to the right.